



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 4, 1999

S. 935

National Sustainable Fuels and Chemicals Act of 1999

*As ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry
on July 29, 1999*

SUMMARY

S. 935 would amend the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to authorize research to promote the conversion of biomass into biobased industrial products. The bill would establish a Sustainable Fuels and Chemicals Board to coordinate programs and a Sustainable Fuels and Chemicals Technical Advisory Committee to advise the board. S. 935 would create a Sustainable Fuels and Chemicals Research Initiative to award competitive grants, contracts, and other financial assistance to research entities, and it would authorize the appropriation of \$49 million a year over the 2000-2005 period. The bill also would authorize the appropriation of \$14 million to the U.S. Department of Agriculture (USDA) in 2000 to construct a pilot plant for corn-based ethanol research. Assuming appropriation of the authorized amounts, CBO estimates that implementing the bill would cost \$274 million over the 2000-2004 period (and an additional \$34 million after 2004).

S. 935 would permit the use of land in the Conservation Reserve for recovery of biomass used in energy production if producers agree to a reduction in their annual Conservation Reserve rental payment. Because the bill would affect direct spending, pay-as-you-go procedures would apply. CBO estimates that direct spending would decrease by less than \$250,000 a year.

S. 935 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For the purposes of this estimate, CBO assumes that all amounts authorized will be appropriated by the start of each fiscal year. The estimated budgetary impact of S. 935 is shown in the following table. The costs of this legislation fall within budget function 350 (agriculture).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Authorization Level ^a	481	491	502	512	524	535
Estimated Outlays	456	476	495	505	516	527
Proposed Changes						
Estimated Authorization Level	0	63	49	49	49	49
Estimated Outlays	0	26	47	51	52	49
Spending Under S. 935						
Estimated Authorization Level	481	554	551	561	573	584
Estimated Outlays	456	502	542	556	568	576
 a. The 1999 level is the amount appropriated for that year for Cooperative State Research, Education, and Extension Service Research and Education Activities. The amounts shown for 2000 through 2004 are CBO's baseline projections, assuming annual adjustments for anticipated inflation.						

BASIS OF ESTIMATE

The bill would authorize the appropriation of \$63 million in 2000 and \$49 million each year for 2001 through 2005. Such funds would likely be spent under USDA's program for Cooperative State Research, Education, and Extension Services Research and Education Activities (CSREES). Estimated outlays for the authorized amounts are based on historical spending patterns for the CSREES program.

In addition to providing new discretionary spending, S. 935 would affect direct spending for USDA's Conservation Reserve Program (CRP). CBO estimates that those effects would be less than \$250,000 a year because implementing the legislation would affect only a small amount of land covered by the CRP and would make only a small change in annual payments on such land.

Spending Subject to Appropriation

S. 935 would amend title XIV of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3101, *et seq.*) to add new provisions regarding conversion of biomass into bio-based industrial products. The Secretary of Agriculture and the Secretary of Energy would be required to coordinate policies and procedures that promote research and development of bio-based industrial products. Each department would designate as a point of contact for related activities an official who would be appointed by the President with the advice and consent of the Senate. The bill would establish a Sustainable Fuels and Chemicals Board to coordinate programs and award research grants and other authorized financial assistance. The bill would also establish a Sustainable Fuels and Chemicals Research Advisory Committee to advise the board and to facilitate consultations and partnerships among eligible parties. The Secretaries of Agriculture and Energy would have to submit annual reports to the Congress on their related activities. The Department of Energy would provide administrative support and funds for the board and the advisory committee. CBO estimates that such administrative support would cost less than \$500,000 a year, subject to the availability of appropriated funds.

Direct Spending

S. 935 would amend the Food Security Act of 1985 (16 U.S.C. 3822(a)(7)) to permit the use of CRP land for recovery of biomass used in energy production. The provisions would be limited to owners and operators in not more than six states and would be subject to certain conditions regarding number of acres in each Crop Reporting District, number of acres per contract, and subsequent use of the harvested crop. Owners and operators who harvest crops on CRP land for recovery of biomass would be required to forgo a portion of their annual CRP rental payment. The amount of the reduction in payment would be determined by the Secretary of Agriculture, except that the reduction must not prevent the producer from realizing a reasonable economic return.

Based on information from USDA, CBO estimates that few acres would be harvested for recovery of biomass used in energy production. The lack of easily accessible processing facilities and the cost of harvesting biomass crops would likely result in relatively few owners or operators participating in this program. For those who did participate, the reduction in annual CRP payment would have to be relatively small to permit an economic return. USDA estimates that such a payment reduction would be around \$5 an acre, or around 10 percent of the average CRP rental payment. CBO estimates that initially around 5,000 acres of CRP land would be harvested under these provisions, increasing by about 5,000 acres a year as new facilities are constructed and new research initiatives come to fruition.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. S. 935 would reduce outlays for direct spending programs by less than \$250,000 a year. The bill would not affect government receipts.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 935 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. State agencies and public universities could receive some of the research funds authorized by this bill.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

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